GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2955
ANSWERED ON:07.12.2001
REGIONAL RURAL-BANK
KAMBALAPADU E. KRISHNAMURTHY;SUBODH MOHITE

Will the Minister of FINANCE be pleased to state:

(a) whether the Working Committee constituted to know the working of the Regional Rural Banks in the country has submitted its report to the Government;

(b) if so, the rec~mmendations made by the Committee to strengthen the RRBsalongwith the reaction of the Government thereto;

(c) whether RRBs have failed in extenqing the banking ,facilities to the desired extent to the Rural Credit System;

(d) if so, the reasons for this failure;

(e) whether any Memorandum has been submitted by the RRBs personnel to the Government for improving the working of the RRBs;

(f) if so, the response of the Government in this regard; and

(g) the other measures taken/being taken by the Government to improve the working of these banks?

Answer

ANSWER MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI BALASAHEB VIKHE PATIL)

(a) & (b) : No, Sir. A Working Group was constituted by Government of India on 12th July, 2001 under the Chairmanship of Shri M.V.S.Cpalapathi Rao, Managing Director of National Bank for Agriculture & Rural Developmentilopment (NABARD) with specifi terms of reference which,

inter-alia include review of the progress in dispensation of` rural credit especially through Regional Rural Banks (RRBs) since their inception. The Working Group has requested for extension of time for submission of its report upto end ofFebruary~2002.

(c) & d): The RRBs have a client base of 478.86 lakh deposit accounts and 117.54 lakh outstanding loan accounts as on 31 st March, .2001. The Working Group referred to above is examining the RRBs` role in adequately extending banking facilities in the rural areas.

(e).(f) & (g): The RRB Employees Associations have been submitting various Memoranda making several demands which, inter-alia, include creation of a National Rural Bank of India (NRBI). After considering a number of alternative models including creation -of NRBI it was decided to revamp RRBs on a `Stand alone` basis by way of infusion of additional capital for cleansing of balance sheets of selected RRBs. An amount of Rs.1 094.21 crore has been released by Government of India towards recapitalisation of RRBs so far. In addition several policy changes have been initiated by Government of India to facilitate strengthening and revitalization of RRBs. These changes include:

i) Introduction of Development Action Plan and Memoranda of Understanding (DAPsIMOU) on an annual basis for bringinc improvement in the performance of the RRBs in a planned way and introduction of prudential norms covering income recognition, assets classification and provisioning norms; ii) Diversification of business portfolios and activities; iii) Increased avenues for investment of surplus Non-SLR funds;iv) rationalization of branch network including relocation and merger, of loss making branches; v) deregulation of interest rate structure; vi) providing greater role to the sponsor banks in management of the affairs of RRBs.